

**REGULAR STATE CREDIT UNION BOARD MEETING  
HELD BY CONFERENCE CALL  
OFFICE OF THE COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
2000 SCHAFER STREET, SUITE G  
BISMARCK, NORTH DAKOTA**

**March 22, 2013**

The regular meeting of the State Credit Union Board was called to order by Chairman Entringer in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 9:32 a.m., Friday, March 22, 2013, by conference call.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Office*)  
Paul Brucker, Member (*Office*)  
Don Clark, Member (*Fargo*)  
Melanie Stillwell, Member (*Williston*)  
Steve Tonneson, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Aaron Webb, Secretary (*Office*)  
Suzette Richardson, Administrative Staff Officer (*Office*)  
Janilyn Murtha, Assistant Attorney General (*Office*)  
Corey Krebs, Chief Examiner – Credit Unions (*Office*)  
Taylor Lee, Financial Institutions Examiner (*Office*)  
Sara Sauter, Financial Institutions Examiner (*Office*)  
Stephen Schmitz, First Community CU, Jamestown (*Office*)  
Vance Reinbold, Capital CU, Bismarck (*Office*)  
Darrell Olson, Town and Country CU, Minot (*Minot*)

**CUSO MEMORANDUM**

Chairman Entringer indicated he would like to address the CUSO Memorandum (Discussion Item “B”) first since Assistant Attorney General Murtha needs to attend another meeting.

Chairman Entringer explained he was contacted by a credit union inquiring whether its current CUSO could add the activity of mortgage loan origination and, if approved by the State Credit Union Board, establish a location outside its current field of membership. Chairman Entringer stated the credit union would offer the mortgage loan origination services exclusively at the new branch location and make the services available to persons located outside the credit union's field of membership.

Chairman Entringer indicated after researching NCUA General Counsel Opinions, he asked Assistant Attorney General Murtha to prepare this Memorandum for the Board.

Member Brucker questioned if the main issue is the credit union's objective to offer mortgage services to persons located outside the credit union's current field of membership, and Chairman Entringer confirmed that is correct.

Chairman Entringer indicated he asked the credit union how it would be serving its members with this requested CUSO activity, and the credit union felt if it aggregates the current services provided to nonmembers with the activities currently provided to members this activity could be allowed. Chairman Entringer indicated it is not clear to him whether the two different services could be aggregated; adding he does not feel NCUA has deemed whether this is or is not a permissible activity.

Chairman Entringer indicated he and Assistant Attorney General Murtha concluded more information may be needed from the credit union regarding how it will support the services and activities provided to its membership.

Member Brucker stated he thought a CUSO was the mechanism wherein a credit union could serve nonmembers. Chairman Entringer agreed, but indicated since researching this proposed activity he does not believe it to be clear.

Assistant Attorney General Murtha added one NCUA opinion somewhat addresses the issue of aggregating services, but did not definitively answer the question. Assistant Attorney General Murtha continued this opinion is limited to a situation presented wherein there is one CUSO and one credit union; however, the rule does go on to state that a CUSO can provide services to several credit unions. Assistant Attorney General Murtha indicated in this instance the proposed branch would be located outside the credit union's field of membership; however, another factual circumstance could be that this same CUSO provides services to several credit unions, and therefore within the field of membership of any of the credit unions being served by the CUSO.

Member Clark asked if the argument can be made that a credit union is serving its members by going outside its field of membership. Chairman Entringer stated individuals would have to be eligible for membership and join the credit union. Chairman Entringer reiterated that nonmembers can be served; however, the primary objective must be to serve members.

Member Stillwell asked Chairman Entringer if his directive is to request more information from the credit union regarding this issue. Chairman Entringer indicated he is not seeking a decision from the Board; his objective is that the Board is aware of this request and suggests more research be done as well as requesting more information from the credit union before any decision is made as to whether this would be permissible activity.

Chairman Entringer stated the credit union pointed out that the rule does not provide that a credit union has to primarily serve its members, and he agreed; however, indicated Assistant Attorney General Murtha has addressed this issue in her Memorandum. Chairman Entringer indicated since the rule was adopted based on parity, a credit union cannot go any further with an activity than what is allowed under federal law.

Member Brucker suggested researching whether this has been an issue with a federally-chartered credit union. Assistant Attorney General Murtha stated her research concluded that NCUA requested more information before making a determination on this issue.

Member Tonneson asked for clarification as to the scope of duties the CUSO would have, and Chairman Entringer indicated he believes it would entail all activities directed to nonmembers with respect to residential mortgage loan origination.

Member Stillwell questioned if the credit union explained why it is requesting permission to establish a branch in an area outside its field of membership, and Chairman Entringer indicated he will refrain from answering this question until such time as the matter comes to the Board for a decision.

Chairman Entringer concluded that he will discuss Assistant Attorney General Murtha's Memorandum with the credit union, as well as request more information; conduct further research regarding this issue, and request an opinion from NCUA.

Assistant Attorney General Murtha left the meeting at 9:49 a.m.

## **APPROVAL OF MINUTES**

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on December 14, 2012, and the special meeting held on February 7, 2013.

**It was moved by Member Brucker, seconded by Member Clark, and unanimously carried to approve the minutes of December 14, 2012, and February 7, 2013, as presented.**

## **APPLICATION TO EXPAND FIELD OF MEMBERSHIP – NEW SALEM CREDIT UNION, NEW SALEM**

Chairman Entringer indicated the Board approved the application by New Salem Credit Union, New Salem, to merge Capital Credit Union, Bismarck, with and into New Salem Credit Union, New Salem, on February 7, 2013.

Assistant Commissioner Webb reviewed his Memorandum dated February 28, 2013, regarding the request by New Salem Credit Union to expand its field of membership.

Assistant Commissioner Webb indicated that North Dakota Century Code Section 6-06-07(2), Membership in Credit Unions, states in part that in the event of a merger between credit unions with different geographic field of memberships, the surviving credit union may expand the field of membership to include the geographic field of membership of the merged credit union.

Assistant Commissioner Webb indicated because the merger application was previously approved by the Board, New Salem Credit Union is requesting to assume the former field of membership of Capital Credit Union.

Assistant Commissioner Webb indicated New Salem Credit Union proposes to expand its field of membership to include "...and organizations and persons living within a 50 mile radius of the credit union's home office in Bismarck and their immediate families or members of a household, and those within an area between a 50 mile radius and a 75 mile radius of the home office of Bismarck and residents within a 75 mile radius of the branch office in Hazen and residents within a 50 mile radius of Beulah and organizations and persons within a 75 mile radius of 4510 13<sup>th</sup> Avenue South, Fargo".

Assistant Commissioner Webb indicated that notice of the above referenced application was published in the official newspapers of all counties affected by the proposed field of membership expansion in accordance with Section 13-03-14-03(4) of the North Dakota Administrative Code.

Chairman Entringer proposed if this application to expand field of membership is approved, it be with the provision that the organization certificate be amended to change the home office to Bismarck.

Chairman Entringer indicated NCUA has issued preliminary approval of the merger application, pending approval of the Hart Scott Rodino application to be acted on by the Federal Trade Commission and Department of Justice.

Assistant Commissioner Webb indicated the Department recommends approval of the Expansion of Field of Membership application.

**It was moved by Member Brucker, seconded by Member Clark, and unanimously carried to approve the application to expand field of membership and Articles of Amendment to the Bylaws by New Salem Credit Union, New Salem, with the condition that the organization certificate be amended to change the home office of the credit union to Bismarck.**

Mr. Reinbold left the meeting at 9:52 a.m.

## **CUSO APPLICATION – FIRST COMMUNITY CREDIT UNION, JAMESTOWN**

Chairman Entringer reviewed the letter from Greg Tschider dated February 25, 2013, wherein First Community Credit Union, Jamestown, is requesting to invest \$1,000,000 in a credit union service organization with the only intent and purpose to provide scholarships.

Chairman Entringer indicated the Department did not request any financial information since the proposal will not involve any invasion of the equity in the CUSO, as the earnings will be generated and used for the scholarships. Chairman Entringer continued the intent is to issue scholarships to a full-time student at a college, university, or trade school that has been a member of the credit union for at least one year prior to the date of the award of the scholarship.

President Schmitz indicated the scholarship proposal is in lieu of the credit union paying dividends, as this will become a life time earning asset unless the credit union was liquidated, and is a very low risk to provide benefits back to the members.

Mr. Tschider stated he feels this is a great opportunity for the credit union to share benefits with members, as well as a positive public relations program for credit unions in general.

Member Brucker asked why the scholarship fund would come through the CUSO, and President Schmitz indicated there would not be the same impact if conducted through the credit union; adding that applying this to the CUSO is more of a commitment that the money will earn its own income which will be distributed as scholarships. President Schmitz indicated it falls under the category of an endowment.

At this time Chairman Entringer reviewed a proposed Order that was emailed to the Board members prior to this meeting.

**It was moved by Member Tonneson, seconded by Member Clark, and unanimously carried to approve the application by First Community Credit Union, Jamestown, to invest \$1,000,000 in a CUSO with the intent and purpose to provide scholarships, and that Chairman Entringer is authorized to sign the Order on behalf of the Board.**

President Schmitz left the meeting and Mr. Tschider left the conference call at 10:05 a.m.

## **CREDIT UNION BUDGET UPDATE**

Chairman Entringer reviewed the Organizational Status by Summary Account and Source for credit unions for the month ending January 31, 2013, as presented.

## **LEGISLATION UPDATE**

Chairman Entringer explained the Department's budget was approved by the Senate Appropriations Committee in January, and approved with reductions by the House Appropriations Committee in March. Chairman Entringer indicated all state

department budgets have been reduced primarily in the employee compensation package.

Member Brucker questioned if it would be appropriate for the Board to provide a statement that the employees be compensated prudently and reasonably in order to obtain competent staff in these market conditions; Chairman Entringer suggested calling respective district legislators.

## **ADMINISTRATIVE RULES**

Chairman Entringer indicated the credit union administrative rules became effective January 1, 2013.

## **SPECIAL MEETING**

Chairman Entringer indicated a special conference call meeting has been scheduled for April 5, 2013, at 9:00 a.m., to consider the application submitted by Dakota Plains Credit Union, Edgeley, to establish branches in Fort Ransom and Sheldon.

Darrell Olson left the conference call at 10:15 a.m.

**The Board went into closed session at 10:15 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1.**

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Robert J. Entringer, Chairman

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Aaron K. Webb, Secretary